

# FDIC State Profile

Winter 2004

## Florida

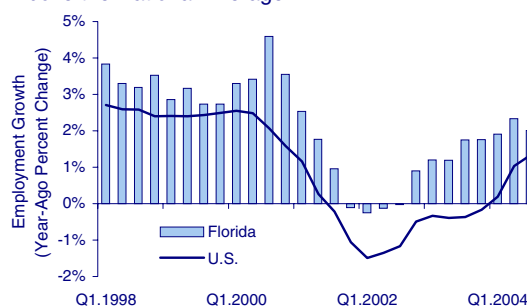
Although buffeted by a severe hurricane season, Florida's economy continued to expand in late 2004.

- Although the record hurricane season had a significant, temporary depressing effect, economic growth in Florida remained exceptional into late 2004 (See Chart 1). The **Fort Myers** metropolitan area, just south of Hurricane Charley's landfall in August, also remained one of the nation's fastest growing areas in the third quarter. In contrast, areas such as **Lakeland**, which was in the paths of both Hurricanes Charley and Frances, saw growth moderate substantially.
- Labor markets in Florida were comparatively tight in 2004 as the third quarter unemployment rate is a full percentage point below the national average. Across the state, however, labor market conditions varied widely with the highest rates of unemployment being recorded in rural southern counties and southeast portions of the state (See Map 1).
- Florida's critical tourism industry was adversely affected by the series of storms as the number of visitors during the third quarter dropped 4 percent from a year ago. Short-term, the industry may remain restrained locally as repairs to damaged tourism havens continue. The industry likely is poised for further growth in 2005 as employment and income growth nationally is expected to persist, and a weaker U.S. dollar makes the state less expensive for overseas travelers.

**Florida's housing markets continue to enjoy robust growth while commercial real estate conditions have improved.**

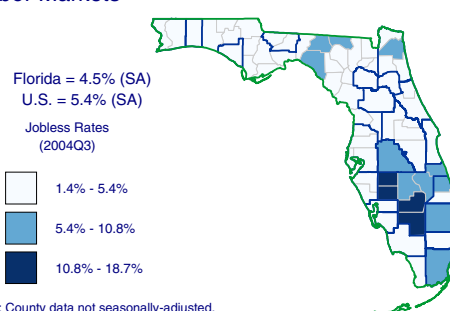
- Through mid-year, home price appreciation in all metropolitan markets, except **Pensacola**, was in the double-digits with **Fort Pierce** posting the largest gains. Statewide, Florida ranked among the top ten in home price appreciation.
- Historically low interest rates have supported buoyant housing demand in the state while there have been shortages in the supply of new housing. Nevertheless, construction and development (C&D) lending at

Chart 1: Job Growth in Florida Remains Well Above the National Average



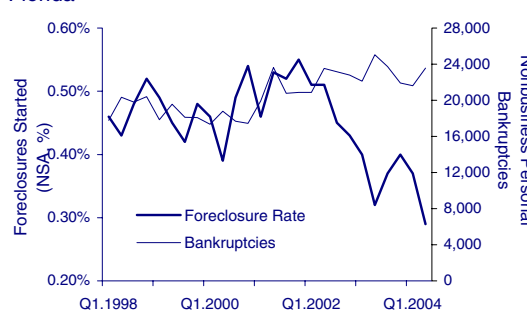
Source: Bureau of Labor Statistics/Haver Analytics

Map 1: Several Florida Counties Have Tight Labor Markets



Note: County data not seasonally-adjusted.  
Source: Bureau of Labor Statistics/Haver Analytics

Chart 2: Foreclosure Rates Have Declined in Florida



Source: US Courts, Mortgage Bankers Association (Haver Analytics)

## State Profile

community banks<sup>1</sup> in the state, which is typically for residential real estate construction, grew 53 percent during the 12-month period ending September 30, 2004.

- Continued comparatively strong economic growth through late 2004 helped improve commercial real estate (CRE) conditions in many of the state's major markets. Though still well into the double-digits, vacancy rates in office markets continued their retreat in all covered metropolitan areas. Consumer and foreign visitor spending supported continued growth in most retail markets. Recovery in tourism also has resulted in rising occupancy rates in nearly all hotel markets.
- After falling off in 2003, nonresidential loan CRE growth was 24 percent during the annual period and finished September 30, 2004, at 24 percent, which compares to a 21 percent accretion a year earlier. As a percentage of capital, CRE represents 23 percent of the state's total assets, up from 22 percent last year. In addition, 6 of the top 25 markets nationally in terms of exposure to capital are located in the state. Further improvement in CRE market conditions in 2005 will be contingent on continued modest growth in the economy.

### Despite continued economic growth, consumer credit quality remains mixed.

- Personal bankruptcy filings remain near record levels and have continued to trend upward at a rate comparable to the national average (See Chart 2). However, foreclosure rates have dropped precipitously. The sharp decline in foreclosures could be the result of the state's hot housing market, which may make it easier for homeowners under financial stress to sell their homes.
- Consumers have continued to leverage their property through cash out refinancing as home equity lending grew approximately 40 percent over the 12 months ending September 2004. If interest rates continue to rise in 2005, consumers with non-fixed rate loans may come under increasing financial stress, especially if income growth remains modest.
- Recent revised estimates have put damages from Florida's 2004 hurricane season in excess of \$20 billion. Although most sectors of the state's economy appear to have weathered the damages, homeowners likely will face higher insurance premiums in 2005. Current long-term forecasts suggest that the Southeast may be entering a new cycle, characterized by more frequent storm activity, which would pose major economic challenges to the state.

### Earnings metrics at both community and large size banks continued to perform well.

- Since September 1999, earnings growth has continued at Florida community banks. During the 12 months ending September 30, 2004, net income rose 25 percent on a merger-adjusted basis to \$379 million -- a record high. Both net interest margins (NIMs) and profitability rose as improved efficiencies and lower provision expenses offset a greater decline in median asset yields relative to median funding costs (See Chart 3).
- Profitability measures at the state's larger institutions<sup>2</sup> also improved during third quarter 2004. Both the median NIM and ROA ratios increased after falling off in the year earlier period as asset yields fell less than funding costs. Greater efficiencies also bolstered the increase as noninterest income levels declined.
- Despite a reduction in main offices from 1994 to 2004 that outpaced the nation, new branch growth in Florida has remained mostly in line with the national pace. The proliferation of new branches has been fairly widespread with the Orlando and **Jacksonville** MSAs experiencing the most activity during this decade (See Chart 4).

Chart 3: Contributions to Return on Assets at Florida Community Banks

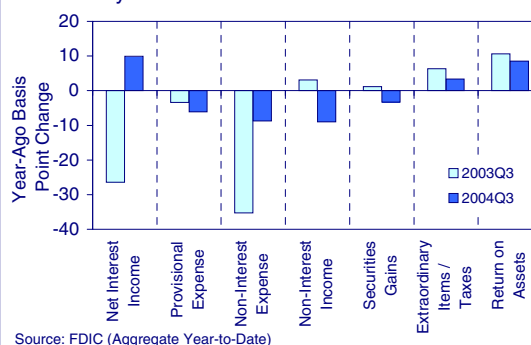
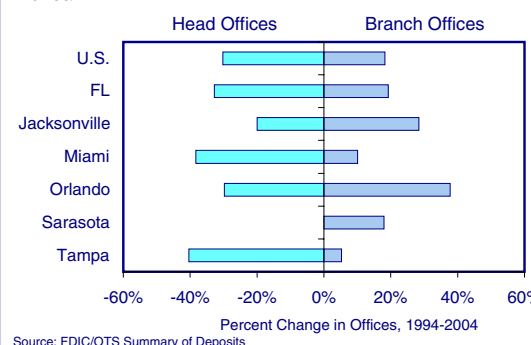


Chart 4: Branching Activity has been Widespread in Florida



<sup>1</sup>Community banks have assets less than \$1 billion dollars and exclude denovos and specialty institutions. This group of banks has been adjusted for mergers.

<sup>2</sup>Larger banks have assets greater than \$1 billion and exclude specialty institutions.

## State Profile

### Florida at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	294	303	302	306	312
Total Assets (in thousands)	120,452,131	108,050,808	98,015,295	87,299,867	80,405,701
New Institutions (# < 3 years)	33	29	43	74	77
New Institutions (# < 9 years)	121	116	113	107	103
Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	8.51	8.59	8.48	8.76	8.99
Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	0.70%	0.88%	1.03%	1.24%	1.06%
Past-Due and Nonaccrual >= 5%	12	13	22	29	27
ALLL/Total Loans (median %)	1.14%	1.18%	1.20%	1.16%	1.19%
ALLL/Noncurrent Loans (median multiple)	3.44	2.82	2.22	1.84	1.96
Net Loan Losses/Loans (aggregate)	0.05%	0.18%	0.24%	0.32%	0.27%
Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	36	38	48	59	74
Percent Unprofitable	12.24%	12.54%	15.89%	19.28%	23.72%
Return on Assets (median %)	0.86	0.82	0.84	0.73	0.73
25th Percentile	0.49	0.43	0.36	0.19	0.12
Net Interest Margin (median %)	3.97%	3.99%	4.23%	4.18%	4.47%
Yield on Earning Assets (median)	5.38%	5.75%	6.59%	7.94%	8.29%
Cost of Funding Earning Assets (median)	1.36%	1.70%	2.33%	3.84%	3.80%
Provisions to Avg. Assets (median)	0.16%	0.18%	0.23%	0.20%	0.20%
Noninterest Income to Avg. Assets (median)	0.62%	0.73%	0.73%	0.70%	0.74%
Overhead to Avg. Assets (median)	3.02%	3.17%	3.28%	3.42%	3.62%
Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	84.62%	82.62%	81.68%	80.72%	79.93%
Loans to Assets (median %)	71.02%	68.72%	68.88%	68.06%	67.16%
Brokered Deposits (# of Institutions)	105	84	67	57	43
Bro. Deps./Assets (median for above inst.)	4.69%	4.81%	5.55%	3.84%	2.17%
Noncore Funding to Assets (median)	21.21%	21.86%	21.15%	20.32%	19.64%
Core Funding to Assets (median)	67.56%	66.87%	67.46%	67.78%	68.23%
Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	156	163	156	153	149
National	67	68	72	78	83
State Member	31	31	32	30	35
S&L	2	2	3	3	3
Savings Bank	38	39	39	42	42
Stock and Mutual SB	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
Miami FL PMSA	45	39,500,174	15.31%	32.79%	
No MSA	41	7,479,599	13.95%	6.21%	
Tampa-St Pete-Clearwater FL	32	5,877,585	10.88%	4.88%	
Orlando FL	25	12,689,004	8.50%	10.53%	
Ft Lauderdale FL PMSA	18	8,501,340	6.12%	7.06%	
Sarasota-Bradenton FL	18	2,911,602	6.12%	2.42%	
W Palm Beach-Boca Raton FL	18	7,088,513	6.12%	5.88%	
Jacksonville FL	16	5,114,198	5.44%	4.25%	
Naples FL	10	8,495,259	3.40%	7.05%	
Ft Myers-Cape Coral FL	9	2,739,713	3.06%	2.27%	
Ft Pierce-Port St Lucie FL	8	6,814,593	2.72%	5.66%	
Daytona Beach FL	8	893,197	2.72%	0.74%	
Pensacola FL	7	1,587,907	2.38%	1.32%	
Ft Walton Beach FL	7	2,169,827	2.38%	1.80%	
All Other MSAs	32	8,589,620	10.88%	7.13%	